newsquawk

US Market Wrap - 16th December 2025

Markets see two-way action on a deluge of mixed US data

- **SNAPSHOT**: Equities down, Treasuries up, Crude down, Dollar flat, Gold flat
- **REAR VIEW**: US Nov. NFP surpasses exp. while U/E rate jumps past Fed's year-end forecast; US Oct. headline NFP tumbles; US Retail Sales miss on the headline, but Control tops; US Flash S&P Global PMIs fall more than expected; Fed's Bostic says jobs report does not change outlook much; UK Comp PMI beats, Wage growth remains sticky; Mixed European PMIs.
- **COMING UP**: **Data:** UK Inflation (Nov), German Ifo Survey (Dec), EZ CPI Final (Nov), NZD GDP (Q3). **Speakers:** Fed's Waller, Williams, Bostic. **Supply:** Australia, US. **Earnings:** Micron.

MARKET WRAP

US indices closed the day in the red, in a choppy session, beginning in the US morning in futures after delayed US data. Recapping, the US November payrolls report headline came in at above expected, with the u/e rate jumping to 4.6% from 4.4%, with some of the move explained by the participation rate rising, but the household survey is also subject to a larger standard error than usual, and it may be this way for a few months. On the Oct. headline, it fell 105k (exp. -25k), retail sales were soft but driven by a fall in auto sales, while S&P Global Flash PMIs disappointed. Akin to US indices, Treasuries saw two-way action, as they initially spiked higher amid a jump in the November unemployment rate, but it quickly faded as it was overall a mixed bag of data. Despite T-Notes then printing fresh troughs, they ground higher through the duration of the US afternoon to settle with c. 3-5bps gains across the curve. The crude complex was once again underpinned by more promising Ukraine/Russia updates, while some traders also cite a surge in China buying oil from Venezuela in anticipation of sanctions. In FX, the Dollar saw slight losses, albeit well off earlier lows, as the Pound outperformed on hotter UK wage data ahead of the BoE on Thursday. Sectors were predominantly lower, although mega-cap stocks dominated Tech, Consumer Discretionary, and Communication Services were the only ones in the green, while Energy and Health lagged. Energy downside likely on the aforementioned oil weakness, while Healthcare was hit on Pfizer cutting guidance. Looking ahead, the influential Williams and Waller speak on Wednesday, with Micron earnings after-hours, CPI on Thursday, in addition to Nike earnings.

US

NFP: Both October and November jobs reports were released following the government shutdown, albeit October came without the unemployment rate due to data gathering issues from the household survey during the government shutdown. The November headline NFP saw 64k jobs added, above the 50k forecast. Meanwhile, the unemployment rate spiked higher to 4.6% from 4.4% in September, albeit when rounded to 2dp the unemployment rate rose to 4.56%, 12bps higher than the 4.44% in September - albeit still above the year-end Fed median projection of 4.5%. However, it is worth stressing that the BLS announced on Monday that the November household survey has a slightly larger standard error, and these higher standard errors may last a few months. Meanwhile, the participation rate rose to 62.5% from 62.4%, with the U6 underemployment rate surging to 8.7% from 8.0%. Regarding wages, they were soft, rising 0.1% M/M in November, beneath the 0.3% forecast, while the Y/Y rose 3.5%, beneath the 3.6% forecast. The October NFP saw job losses of 105k; however, this was primarily due to a 162k drop in the federal government layoffs amid the government shutdown. Private payrolls rose by 69k in November, adding to the 52k addition in October. Regarding the overall NFP, Fed Chair Powell has suggested it is being overstated by 60k per month before accounting for annual revisions, implying real job growth of ~4k in November. Overall, the data had little impact on Fed market pricing, with 6bps of easing still priced for January, which implies a 24% probability of another 25bps rate cut. Following the report, ING writes that "Job creation continues to slow and unemployment is on the rise, which will mean the doves at the Federal Reserve will continue to make the case for further interest rate cuts". It added that the risk of outright job losses is growing, and with mid-term elections less than a year away, the political pressure on the Fed to do more will intensify."

RETAIL SALES: Retail sales for October printed 0.0% M/M, shy of the expected 0.1%, and also beneath the revised lower 0.1%. The lacklustre headline figure was almost entirely due to a drop in vehicle sales following the expiry of the EV tax credit, which offset the strong ex-autos reading. Oxford Economics noted it leaves real consumption on track for growth of close to 2% annualised in Q4. Ex-autos M/M rose 0.4% (exp. 0.3%, prev. 0.1%), with Ex- gas/autos rising 0.5% (prev. 0.0%). Retail control jumped 0.8% (exp. 0.4%, prev. -0.1%). Ox Eco notes that due to the Government shutdown, they are missing other data that would feed into its tracking estimate of real consumption, but the details they have point to a decent gain in October. The consultancy adds that, with private sector job gains holding up and a strong stock market still driving spending by older, wealthier households, they expect a robust holiday shopping season and an acceleration in spending over 2026 as well.

FLASH PMI: The S&P Global's Flash PMI showed slower business growth in December as prices spiked higher. Manufacturing fell to 51.8 from 52.2 (exp. 52), and Services dropped more than expected to 52.9 from 54.1 (exp. 54), also beneath the lowest forecast of 53.0. This left the Composte lower at 53.0 from 54.2. Chris Williamson, Chief Business Economist at S&P Global Market Intelligence, writes that “the flash PMI data for December suggest that the recent economic growth spurt is losing momentum. Although the survey data point to an annualised GDP expansion of ~2.5% over Q4, growth has now slowed for two months. He adds that a key concern is rising costs, with inflation jumping sharply to its highest since November 2022, which fed through to one of the steepest increases in selling charges for the past three years.

FIXED INCOME

T-NOTE FUTURES (H6) SETTLED 7+ TICKS HIGHER AT 112-16+

T-notes chop to US data deluge. At settlement, 2-year -2.9bps at 3.479%, 3-year -4.2bps at 3.519%, 5-year -4.4bps at 3.689%, 7-year -4.0bps at 3.900%, 10-year -3.7bps at 4.145%, 20-year -3.7bps at 4.773%, 30-year -3.3bps at 4.819%.

INFLATION BREAKEVENS: 1-year BEI -16.5bps at 2.416%, 3-year BEI -5.5bps at 2.301%, 5-year BEI -3.5bps at 2.169%, 10-year BEI -2.3bps at 2.212%, 30-year BEI -1.0bps at 2.221%.

THE DAY: T-notes saw choppy trade but ultimately settled in the green. Treasury futures saw gradual gains before paring ahead of the US data, which ultimately was a mixed bag. T-notes surged higher on the release amid a jump in the November unemployment rate and a 105k NFP decline in the October report. However, the spike higher quickly faded - perhaps as the October losses were primarily due to federal government layoffs amid the shutdown (162k federal workers' jobs were lost in October). Meanwhile, the rise in the unemployment rate could be explained by a higher standard error, the BLS warned us about yesterday. Alongside the NFP reports, the Retail Sales report was mixed, with the headline printing softer than expected, ex-autos beating, while the control saw a notable beat. The initial spike higher had completely pared, but after disappointing flash PMI data, the upside resumed before meandering into settlement. Attention turns to the 20-year bond supply on Wednesday, ahead of CPI on Thursday.

SUPPLY:

Notes

- US Treasury to sell USD 13bln of 20-year bonds on 17th December and USD 24bln of 5-year TIPS on 18th Dec; to settle on 31st Dec

Bills

- US sold 6-week bills at a high rate of 3.625%, B/C 2.73x
- US Treasury to sell USD 69bln (prev. 69bln) of 17-week bills on December 17th, to sell USD 80bln (prev. 80bln) of 8-week bills and USD 80bln (prev. 85bln) of 4-week bills on December 18th; all to settle Dec 23rd

STIRS/OPERATIONS

- **Market Implied Fed Rate Cut Pricing: January 6bps (prev. 5.5bps), March 14.4bps (prev. 13bps), April 21.6bps (prev. 20.5bps), December 59.8bps (prev. 57bps).**
- NY Fed RRP Op demand at USD 1.55bln (prev 2.6bln) across 2 counterparties (prev. 6)
- NY Fed Repo Op demand at USD 4bln (prev. 16.801bln) across two operations.
- EFFR at 3.64% (prev. 3.64%), volumes at USD 97bln (prev. 102bln) on December 15th.
- SOFR at 3.75% (prev. 3.67%), volumes at USD 3.270tln (prev. 3.261tln) on December 15th.

CRUDE

WTI (F6) SETTLED USD 1.55 LOWER AT 55.27/BBL; BRENT (G6) SETTLED USD 1.64 LOWER AT 58.92/BBL

Oil saw losses, and seemingly continues to be pressured by more promising Ukraine/Russia developments around a peace deal. On that footing, Russia's Ryabkov said they are ready to make efforts to overcome disagreements relating to the Ukraine crisis, but did note they are not willing to make any concessions regarding Crimea, Donbas and Novorossiya. From the Ukrainian side of things, Zelensky said the US to discuss with Russia security guarantees, a 20-point plan and a reconstruction plan for Ukraine. Elsewhere, crude-specific newsflow was light despite a deluge of delayed US data, including October and November US payrolls reports, and US retail sales. WTI and Brent saw highs of USD 56.70/bbl and 60.40, respectively, at the start of the European session and then edged lower through the duration of the US day to hit troughs of USD 54.98/bbl and 58.72, albeit settling just off these levels. After-hours attention turns to private inventory metrics whereby current expectations are (bbls): Crude -1.1mln, Distillate +1.2mln, Gasoline +2.1mln.

EQUITIES

CLOSES: SPX -0.24% at 6,800, NDX +0.26% at 25,133, DJI -0.62% at 48,114, RUT -0.45% at 2,519

SECTORS: Energy -2.98%, Health -1.28%, Real Estate -0.95%, Financials -0.67%, Industrials -0.58%, Consumer Staples -0.44%, Utilities -0.36%, Materials -0.22%, Communication Services +0.19%, Consumer Discretionary +0.31%, Technology +0.32%.

EUROPEAN CLOSES: Euro Stoxx 50 -0.58% at 5,719, Dax 40 -0.59% at 24,087, FTSE 100 -0.68% at 9,685, CAC 40 -0.23% at 8,106, FTSE MIB -0.29% at 43,990, IBEX 35 -0.70% at 16,922, PSI -0.16% at 8,062, SMI +0.10% at 13,050, AEX -1.12% at 935

STOCK SPECIFICS:

- **Accenture (ACN)** upgraded at Morgan Stanley to 'Overweight' from 'Equal Weight'
- **ADP (ADP)** downgraded at Jefferies to 'Underperform' from 'Hold'.
- **Apple (AAPL)** reportedly plans to expand its iPhone lineup to seven models by fall 2027 from five, according to The Information
- **Ford (F)** is to see a USD 19.5bln charge to write down EV investments; news seen as net positive as mgmts. aggressive actions to move away from the dwindling EV market & boost other areas.
- **PayPal (PYPL)** submits applications to establish an industrial bank to expand financial services access for US small businesses.
- **Pfizer (PFE)** cuts FY25 revenue midpoint guide and initial FY26 revenue view underwhelms.

- **Roku (ROKU)** double Upgraded at Morgan Stanley to 'Overweight' from 'Underweight'
- **Waste Management (WM)** hiked dividend by 14.5% with a USD 3bln repurchase authorisation.
- **Zscaler (ZS)** upgraded at Mizuho to 'Outperform' from 'Neutral'.

FX

The Dollar was modestly lower on Tuesday, able to recover some to the weakness induced by slowing job growth. The choppy trade that followed was likely participants digesting the different signals sent from the combined NFP report and Retail Sales. On the one hand, October jobs fell 105k, notably beneath the expected -25k, though the drop is seemingly driven by a decline in the Federal government due to the government shutdown, -162k. November showed a modest rebound of the headline +64k (exp. 50k). Additionally, the Unemployment Rate moved higher to 4.6% from 4.4%, but again, participants may interpret the reading as less informative given the BLS issued a notice beforehand that it would contain a larger standard error. Hawkish takeaways from the data were core spending gauge in the Retail Sales report, whereby Retail Control rose 0.8% (exp. 0.3%) with federal employment job losses slowing to 6k in November. DXY hit lows of 97.868 post data before recovering to ~98.16.

Sterling outperformed against USD as October wages proved hawkish. Avg Wk Earnings 3M Y/Y printed 4.7% (exp. 4.4%) with the prior 4.8% reading revised up to 4.9%. Meanwhile, on the jobs front, the releases highlighted continued pressure in the labour market, with the unemployment rate ticking up, and HMRC payrolls falling once again. December Flash PMIs were also positive, 52.1 (exp. 51.6, prev. 51.2), giving GBP another boost. Cable now trades around 1.3420 from earlier 1.3356 lows.

European PMIs were mixed. Manufacturing unexpectedly expanded in France, but contracted at a faster pace in Germany and the EZ. While Services expanded at a lesser rate in all three regions, printing beneath expectations. **EUR/USD** was met with small upticks following the France Mfg beat, before later reversing the upside on the German Mfg miss. EUR/USD now resides at 1.1750.

AUD/USD was unchanged as the poor overnight sentiment in Asia likely hindered the Aussie's ability to keep up with peer strength against USD. While money markets have assigned a 74% chance of unchanged rates at the RBA February meeting, although NAB sees them hiking by 25bps, and a further 25bps in the May meeting.